

**RESOLUTION NO. RS2018-1390** (A. DAVIS & WITHERS) – This resolution would authorize the Metropolitan Development and Housing Agency (MDHA) to enter into an agreement to accept payments in lieu of taxes (PILOT) for a multi-family housing project known as Hampton Terrace, located at 300 East Webster Street, an area recently annexed into the Urban Services District. In 2016, Ordinance Nos. BL2015-1281, BL2016-334 and BL2016-435 authorized MDHA to negotiate and accept PILOT payments from operators of low income housing tax credit (LIHTC) properties, capped at \$2,500,000 annually. If approved, this would be the thirteenth such PILOT program overall, and the seventh for MDHA in 2018, totaling \$1,485,363 in tax abatements this year.

PILOT agreements essentially provide tax abatements for real and/or personal property taxes that would otherwise be owed to the Metropolitan Government. PILOTs have previously been utilized by Metro to provide incentives through the Industrial Development Board (IDB) to large employers to create job opportunities. Under Tenn. Code Ann. § 13-20-104, MDHA now has the authority to enter PILOTs to create affordable rental housing.

MDHA developed their PILOT program to provide additional financial incentives to developers considering construction or rehabilitation of affordable housing units through a federally funded Low Income Housing Tax Credit (LIHTC) program. Subsidized LIHTC developments serve those at or below 60% of the average median income (AMI) for the Nashville area, which translates to an income cap of \$31,500 for individuals and \$44,940 for families of four in 2018. Once negotiated by MDHA, each PILOT agreement must be approved by the Council by resolution.

The maximum term for the PILOT payments under this program is 10 years. The PILOT agreement would only be available for additional tax liability over and above the pre-development assessed value of the property. The program is available for both existing and new developments, based on financial need. The PILOT lease is to be terminated if the property sits vacant for two years.

MDHA is required to file an annual report with the Council, Assessor of Property, and State Board of Equalization identifying the values of the properties subject to PILOTs, the date and term for each PILOT, the amount of PILOT payments made, and a calculation of the taxes that would otherwise be owed.

300 E Webster Street Holdings, L.P. plans to acquire land located at 300 East Webster Street to renovate the 274 existing units to operate as an LIHTC property serving low-income residents. The application for this project, as well as the associated PILOT agreement, have been approved by the MDHA Board of Commissioners.

The Planning Commission recommended approval of this project on March 30, 2018, advising that the project is consistent with T3 Suburban Neighborhood Maintenance and the Nashville Next general plan.

*Fiscal Note: Fiscal Note: This PILOT request would require the developer to make a first-year payment of \$136,846 in lieu of property taxes, with a 3% annual increase through the remainder of the 10-year period.*

*In addition to the PILOT payments, the developer would be required to pay a monitoring and reporting fee to MDHA. This fee would be set by MDHA not to exceed five percent (5%) of the amount of the PILOT payment due each year.*

*The final assessed value of this project will not be known until completion. However, the value of the project when completed is estimated at \$18,596,064. For purposes of this analysis, this number can be used as a reasonable estimate of the final project value.*

*Over the 10-year life of this PILOT agreement, a total of \$778,286 would be abated, although Metro would still receive \$1,568,537 in property taxes from this project, as depicted in the following table:*

#### **Real Property Tax**

	<u>Year</u>	<u>Total Value</u>	<u>Standard Tax</u>	<u>Still Pay</u>	<u>Abatement</u>	<u>Abatement %</u>
	1	\$18,596,064	\$234,682	\$136,846	\$97,836	41.7%
	2	\$18,596,064	\$234,682	\$140,927	\$93,755	39.9%
	3	\$18,596,064	\$234,682	\$145,155	\$89,527	38.1%
	4	\$18,596,064	\$2234,682	\$149,509	\$85,173	36.3%
	5	\$18,596,064	\$234,682	\$153,995	\$80,687	34.4%
	6	\$18,596,064	\$234,682	\$158,614	\$76,068	32.4%
	7	\$18,596,064	\$234,682	\$163,373	\$71,309	30.4%
	8	\$18,596,064	\$234,682	\$168,274	\$66,408	28.3%
	9	\$18,596,064	\$234,682	\$173,322	\$61,360	26.1%
	10	\$18,596,064	\$234,682	\$178,522	\$56,160	23.9%
	<b>Totals</b>		<b>\$2,346,823</b>	<b>\$1,568,537</b>	<b>\$778,286</b>	<b>33.2%</b>

*After the property tax abatement from this project, \$1,014,637 would still be available within MDHA's annual cap of \$2.5 million for other PILOT projects in 2018.*